

25 MAR 1977

MEMORANDUM FOR: Assistant for Information, DDA

FROM : James H. McDonald
Director of Logistics

SUBJECT : Agency Relations with the U. S. Business
Community: Recommendations of the
Inspector General

REFERENCE : (a) Memo dtd 27 Feb 77 to Multiple Addressees
fm A-DCI, same subject (ER 77-011/3)

(b) Memo dtd 9 Mar 77 to D/L and D/Pers fm
AI/DDA, same subject (DDA 77-1310;
OL 7 1113)

1. Reference (a) provides either approval or disapproval by the A-DCI for various recommendations by the Inspector General in his November 1976 inspection of Agency relations with the U. S. Business Community. Reference (b) tasks the Directors of Logistics and Personnel to provide responses to the Assistant for Information, DDA to facilitate a consolidated reply. This memorandum provides information on action already accomplished or planned on approved Recommendation 3 for which the Office of Logistics has responsibility.

Recommendation 3: "That CIA commitment to the principle of competitive contracting be reaffirmed, beginning with a policy statement from the DCI."

Approved: "The DDA, in coordination with the DDS&T, should submit a statement for my approval within 60 days which is appropriate for inclusion in Agency regulations."

Action: Attachments to this memorandum include (1) the policy statement for signature by the DDCI, (2) a draft of revised [] which has been modified at paragraph [] to include a statement regarding Agency commitment to the principle of competitive contracting, and

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(3) a transmittal memorandum from the DD/A to the
DDCI.

2. We believe this completes required action on Recommendation 3 of the subject Inspector General Report.

[Redacted Signature Box]

James H. McDonald

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MEMORANDUM FOR: Deputy Director for Administration
Deputy Director for Intelligence
Deputy Director for Operations
Deputy Director for Science and Technology

FROM : E. H. Knoche
Deputy Director of Central Intelligence

SUBJECT : Competition in CIA Procurement

1. Procurement of supplies and services required for authorized Central Intelligence Agency programs is vital to the Agency's mission. Applicable Federal Government procurement laws and regulations require that all procurements utilizing appropriated funds, whether by formal advertising or by negotiation, be made on a competitive basis to the maximum practicable extent. The requirement is applicable to all procurements, whether for research and development, production hardware, external analysis, services or major system acquisition. Our fullest compliance with this requirement will serve to optimize our procurement efforts as well as further the doctrine of fairness for Agency contractors.

2. I ask that each of you, during the various phases of program planning and execution, be mindful of the requirement for handling procurement on a competitive basis to the maximum practicable extent. I ask also that you convey to personnel within your Directorates my personal commitment to the principle of competition.

E. H. Knoche

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2. PROCUREMENT OF MATERIEL AND NONPERSONAL
SERVICES

a. AUTHORITY

(1) The Central Intelligence Agency is authorized by law to procure materiel and nonpersonal services, including studies, reports and the results of research and development, required to accomplish the Agency's mission.

(2) The Director of Logistics will exercise all delegable procurement authority of the Director of Central Intelligence as Agency Head, except as otherwise specifically delegated by the Director.

(3) The Director of Logistics will advise the Agency Head on procurement matters that by law cannot be delegated.

b. POLICY

(1) Within limits imposed by statutes or other
/t/
authorities external to CIA, the Director of Logistics will

conduct procurement activities and make commitments binding the Government in accordance with standards, arrangements, methods, and terms most advantageous to the Government. Unless security or other considerations peculiar to the Agency's mission require procurement to be carried out in some other manner, it will be accomplished to the maximum practicable extent in accordance with the procedures and standards of the Department of Defense, as evidenced by the "Armed Services Procurement Regulation" as it now exists or may be amended. This is true except in those areas such as ADPE where the Federal Procurement Regulation (FPR) is applicable to all executive agencies.

(2) The Federal Government procurement regulations cited above require that all procurements utilizing appropriated funds, whether by formal advertising or by negotiation, be made on a competitive basis to the maximum practicable extent. All Agency personnel involved in the procurement process should plan and execute their procurement responsibilities in such a way that maximum compliance with the requirement for competition will be

achieved.

c. RESPONSIBILITIES. The Director of Logistics is responsible for the development of instructions and guidelines, including technical handbooks as appropriate, for the conduct of Agency procurement activities. These instructions will include explanations of

(1) the nature and precise extent of the procurement authorities that he has delegated, and the titles or names of the persons to whom such delegations have been made.

(2) arrangements made with requisitioning components of the Agency, the Offices of Security; the Comptroller; Finance; General Counsel; and the Audit Staff for the participation of those components in Agency procurement activities.

(3) the records to be prepared, reviewed, or maintained within the Office of Logistics to document administrative decisions regarding individual procurement cases or classes of cases.

d. UNAUTHORIZED PROCUREMENT ACTIVITIES

(1) Agency employees will consult the Office of Logistics before initiating any contracts concerning proposed procurement activity with potential sources of supply, including business and other organizations, institutions or persons outside the Agency.

(2) Unauthorized procurement activities by Agency employees, including contacts, negotiations, or commitments, may subject the employees involved to personal liability and disciplinary action.

(3) Purchases from Government employees are prohibited except with prior approval of the Director of Logistics.

e. PRECONTRACT CONTACTS. For security reasons all headquarters personnel will consult with the Security Staff, Office of Logistics, before initiating any form of contact with commercial firms, universities, or institutions, when the purpose of the contacts is possible or contemplated Agency procurement contracts, whether classified or unclassified. This coordination is essential to prevent the compromise of existing Agency contracts of a sensitive or

classified nature, and also to ensure that all mail and personal contacts are made in a manner consistent with the proposed sterility of the contemplated procurement action.

f. CIA CONTRACT REVIEW BOARD. The CIA Contract Review Board advises and assists the Director of Logistics in exercising the procurement authority delegated to him by the Director of Central Intelligence as Agency Head.

See for the organization and responsibilities of the board.

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MEMORANDUM FOR: Deputy Director of Central Intelligence

FROM : John F. Blake
Deputy Director for Administration

SUBJECT : Agency Relations with the U. S. Business
Community: Recommendations of the
Inspector General

REFERENCE : Memo dtd 27 Feb 77 to Multiple Addressees
fm A-DCI, same subject (ER 77-011/3)

1. Action Requested: This memorandum provides information on action taken by my Directorate in response to your approval of Recommendation 3 of the subject Inspector General report. Paragraph 4 contains a recommendation for your action.

2. Background: The referent memorandum approved various recommendations by the Inspector General in the subject report. Recommendation 3 is: "That CIA commitment to the principle of competitive contracting be reaffirmed, beginning with a policy statement from the DCI." Your approval of the subject recommendation states that: "The DDA, in coordination with the DDS&T, should submit a statement for my approval within 60 days which is appropriate for inclusion in Agency regulations." Attachment 1 hereto is the memorandum which reaffirms Agency commitment to the principle of competitive contracting. Attachment 2 is a draft revision of [] which, at new paragraph [] incorporates Agency commitment to the principle of competitive contracting. The draft regulation is in coordination preparatory to issuance.

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3. Staff Position: This memorandum and its attachments have been coordinated with the Deputy Director for Science and Technology. The headquarters regulation attached will receive normal coordination for such documents prior to issuance.

4. Recommendation: It is requested that Attachment 1 be signed.

John F. Blake

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